

**AGENDA ITEM: Planning and Budget Report****BACKGROUND INFORMATION:**

During the current fiscal year, staff and the Board have discussed and considered options for the Library of California (LoC) and California Library Services Act (CLSA) programs should funding be reduced in the Governor's January 2003 Budget. Reductions are proposed in this budget for both the 2002/03 and the 2003/04 fiscal years that affect the California State Library (CSL) and the programs under the Board's authority.

Included with this agenda item are copies of the following budget documents:

- Exhibit A: Governor's Budget Summary 2003-04, page 90, which summarizes the proposed reductions for the California State Library.
- Exhibit B: Governor's Budget 2003-04, Education Section, pages 28-34, which provide details on current year and proposed 2003/04 reductions and changes.
- Exhibit C: AB 100, Oropeza, State Budget 2003-04, pages detailing funding for the California State Library.
- Exhibit D: SB 53 Chesboro, State Budget 2003-04, pages detailing funding for the California State Library.

Analysis of these documents is still underway within the California State Library; however, some substantial reductions and changes are proposed in these documents. Prior to the Board meeting on February 18, you will receive a spreadsheet which matches the reductions with the sections of the CLSA and LoC acts, lists possible implications of enacting the proposed changes, and presents potential options for Board and field consideration. This spreadsheet is intended to provide the Board and staff with a tool for an organized discussion on reductions and options for addressing them.

Initial analysis reveals the following:

1. **Library of California has not been funded for 2003-04.** Neither the existing statewide services nor the seven regional library networks are proposed for any continuing funding.

**Implications:** Since 1999, the LoC has developed and deployed regional and statewide services. However, because funding has never been provided to cover anything but planning, offerings of regional and statewide services have been hampered. Regions are now faced with the options of continuing operation

without state funding, and determining whether or not they will continue to exist. All regional library networks are 501(c)3 Not for Profit Organizations, so each has the ability to continue to exist if its board of directors supports continuance. Statewide service development has been slow due to lack of funding for both development and implementation. While LSTA funds have been used to supplement development, they are not currently authorized for delivery of LoC statewide services. Included among these programs are interlibrary loan reimbursement, cooperative database purchasing, cooperative catalogs among libraries, reference referral services and other possible services which extend the capability of local libraries to serve their clientele. The services proposed for LoC would supplement and enhance those being delivered through CLSA systems.

2. **CLSA has been reduced by \$12,145,000 through the elimination of funding for the Equal Access/Interlibrary Loan Reimbursement program.** These funds flow directly to lending libraries and are the core of resource-sharing activity statewide.

**Implications:** Elimination of these funds will eliminate the incentive for libraries to cooperate with each other, serve each other's patrons, and participate in cooperative ventures through CLSA systems. CLSA systems are based on the ability of libraries to interact with other public libraries in their locale without the need to charge fees to residents of other jurisdictions for library use. Libraries have used this restriction and the associated reimbursement funding as the primary argument for their jurisdictions to support their serving patrons of other libraries in their CLSA systems. Libraries have built joint projects, such as joint online catalogs and unmediated interlibrary loan services, on the premise that compensation for resource sharing is an essential element of CLSA. These joint projects may now be in jeopardy. In addition, many libraries pay for their at least part of their system membership costs by directing their reimbursement payments to their local CLSA system. Loss of this revenue will have a profound impact on the ability of all systems to be able to support the needs of their members.

3. **A realignment of the current literacy programs is proposed without increase in funding.** Added to the program mix of Families for Literacy and the California Library Literacy Services is the English Language Literacy Intensive (ELLI) program. ELLI had received separate funding for three years through FY 2002/03, but its proposed inclusion in a single literacy service comes with no new funding to cover this additional program. (Exhibit E provides a brief description of ELLI and funding during its three-year cycle.) All budget documents listed above separate the Literacy programs from other elements of local assistance funding, and call the new program the English Acquisition and Literacy Program. The senate version provides a line item number that physically identifies the program as separate from CLSA.

**Implications:** At this point, it is unknown whether the intent is to fully separate the literacy programs from CLSA or from the purview of the LoC Board. What is known is that the intent is to add ELLI into the mix of literacy programs without an increase in funding to cover program costs. There is the potential that the State Library and the Board will have the opportunity to provide input on the development of the revised literacy program which could allow for the revision of the current funding formulas.

4. **Reductions in state operations funding to the State Library's budget are proposed that correspond to the reductions in local assistance funding.** (Local assistance is that portion of funding dedicated to supporting programs and services, and not to the support or administration of a program at the state level.)

**Implications:** Should the proposed reductions occur for 2002/03 and 2003/04, the California State Library will have been decreased overall by over 55%, local assistance by over 77%, and state operations by over 30% in 2003/04 alone. As a result, the State Library is evaluating its core services, assessing its staff resources, and working to reallocate resources to the most essential functions. All parts of the library are affected to a greater or lesser extent, depending on their sources of funding. Library Development Services, which supports the LoC, CLSA, and LSTA programs, is taking its proportional share of state operations cuts, and it is in the process of working with CSL administration on plans of action to face anticipated reductions.

The LoC Board is likely to be affected by state operations cuts both in 2002/03 and 2003/04. State-level administration is imposing increasing restrictions on travel funds, meetings for boards, and other expenditures in the current year that will likely reduce the ability of the Board to meet and for staff and the Board to travel at state expense. Travel cuts are also either announced or anticipated for the next fiscal year.

#### **RELATED ISSUE TO COME BEFORE THE BOARD IN THE FUTURE:**

1. Discussion and consideration of Library of California and CLSA budgets following the release of the 2003/04 Governor's May Revise Budget in May 2003.

Relevant Committee: Budget and Planning  
Staff Liaison: Diana Paque